

<p align="center">2003-2004 ANNUAL REPORT</p>

CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Civic Center Improvement Fund

The Civic Center Improvement Fund was established in 2003-2004 to account for the technology, furniture, equipment and relocation costs associated with the new City Hall.

***Civic Center
Improvement Fund***

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 45,250	\$ -	\$ (45,250)	(100.0%)
<i>Expenditure</i>	45,250	7,943	37,307	82.4%
<i>Fund Balance (est. *)</i>	11,240 *	(7,943)	(19,183)	(170.7%)

When the budget for this fund was established in January 2004, it was assumed that \$45.25 million in commercial paper would be issued to support technology, furniture, equipment, and relocation costs associated with the new City Hall. The commercial paper (CP) program allows the City greater flexibility on how bonds are used to fund projects. Since the City has committed to a CP program that is pre-authorized, the City may issue commercial paper up to the full amount of the capacity of the program to fund expenditures. Because CP reimburses for actual expenditures rather than encumbrances, there is a timing difference between when an encumbrance is made, when the actual expenditure is paid, and, ultimately, when the commercial paper notes are issued to fund the expenditures. In 2003-2004, no commercial paper notes were issued based on the timing of the expenditures. The actual 2003-2004 expenditures of \$1.0 million will be reimbursed in 2004-2005 and the encumbrances of \$6.9 million will be reimbursed after the actual expenditures are made. With this financing mechanism, a negative fund balance resulted at the end of 2003-2004 due to the timing of payments. After the reimbursements are received, the fund balance will no longer be negative.

The expenditure variance totaled \$37.3 million based on the timing for the acquisition of technology, furniture, and equipment items. The lower expenditure level was anticipated at the end of the 2003-2004 and the majority of the funds (\$36.8 million) were rebudgeted in the 2004-2005 Adopted Capital Budget. A rebudget adjustment is recommended in this report to rebudget the remaining funds for this project.

The 2003-2004 ending fund balance was \$19.2 million below the estimate used in the development of the 2004-2005 budget due to lower than anticipated revenues (\$19.7 million), slightly offset by lower expenditures (\$507,000). It is anticipated that the commercial paper will be issued in 2004-2005 to support all of the expenditures in this fund.